

OCTOBER
2006



To Our Multifamily Partners:

As we enter our new Fiscal Year, I want to thank you for your support and dedication to providing quality affordable rental housing to rural Tennesseans. Our National Office has successfully introduced a strategy to revitalize our existing portfolio. This is a significant undertaking and we will be fully focused on this strategy this new fiscal year. It is

our primary goal to maintain the quality and viability of our existing MFH Housing portfolio for the future. Unfortunately, our 515 MFH new construction funding is not available any longer and this increases the need to insure that our existing properties are well maintained and have a long-term useful life. In the coming months, you will be hearing more from us on our revitalization efforts and opportunities for your properties. We continue to seek partnerships within the state that assist our borrowers with the management of these properties. I understand that THDA, the State Housing Finance Agency, has been discussing the impact of MFH preservation. We fully support the discussion and initiative within Tennessee to preserve affordable rural rental housing. Again, we thank you for your support and dedication to Rural Development and we look forward to experiencing continued success with our program.

Mary "Ruth" Tackett

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MFH Preservation/ Revitalization Program

Tennessee was successful in having one MFH property approved under the 2006 Multi-Family Housing Preservation/Revitalization Program (MPR). The MPR was implemented in FY 05 and is announced through the Federal Register Notice of Funding Availability (NOFA). This program is designed to restructure Section 515 loans to ensure that sufficient resources are available to preserve the rental property for the purpose of providing safe and affordable housing for low-income residents. We had a large amount of interest in Tennessee as well as nationwide and encourage you to continue to look at this program as an opportunity to preserve our portfolio. We are continuing to receive Capital Needs Assessments which

is one of the key steps to the MPR program. The CNA projects the needs of the property for the next 20 years. The primary tool is 20 year deferral on 1% 515 loans. The cash flow is redirected to reserve account deposit to help meet the physical needs of the property. Other tools that may be available include: grant up to \$5,000 per unit, 515 rehab loans at 0% over a 30 year period, and subsequent section 515 loans at traditional rates and terms. These may also involve transfers, subordinations, or consolidations of multi-family housing properties.

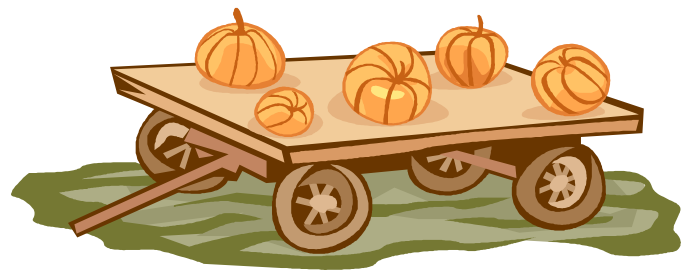
If you were selected to proceed with an application and CNA in FY 2006, we encourage you to continue that process. Please look for the 2007 NOFA for more information on the MPR program. Feel free to contact the State Office or the appropriate Area Office if you would like more information.

Centralized Servicing Center

On March 1, 2006, all Multi-family Housing payments, tenant certification and project worksheets were sent to our Centralized Servicing Center (CSC) for processing. This has been an effective means for USDA Rural Development to provide the most efficient and effective services possible to our Multi-Family partners.

We would like to say THANK YOU for your continued support of the program and for working with us as we successfully made this transition.

For questions regarding information that has been transmitted, you can contact CSC at 1-866-600-7984.



PAD and EFT

Would you like to go to your computer and simply click a button to submit your monthly project payments? It can happen by using Pre-authorized Debit (PAD) or Electronic Funds Transfer (EFT).

If you receive a Rental Assistance check and do not have to send in a paper check for your payment, EFT would benefit you. This allows us to deposit your Rental Assistance check directly into your checking account instead of sending you a paper check that takes longer and can sometimes get lost in the mail.

If you do send a paper check to make a payment, PAD can make this process easier as well. PAD allows us to deduct the amount of your payment from your checking account on the day and in the amount you approve each month. **You are still in control**, but just not writing a paper check that again can be late or lost. If you are interested in signing up for one or both of these programs please contact your local Area Office at the number listed on page 5.

NONDISCRIMINATION STATEMENT

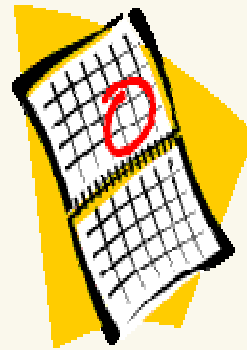
The nondiscrimination statement shown below shall be posted in all recipient offices, and included, in full, on all materials regarding such recipients' programs that are produced by the recipients for public information, public education, and public distribution.

"In accordance with Federal law and U.S. Department of Agriculture policy, this institution is prohibited from discrimination on the basis of race, color, national origin, sex, age, or disability. (Not all prohibited bases apply to all programs).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice), or (202) 720-6382 (TDD)."

If the material is too small to permit the full statement to be included, the material will at a minimum, include the statement in print size no smaller than the text, that : **"This institution is an equal opportunity provider, and employer."**

If you have any questions regarding the USDA nondiscrimination statement requirements contact your local Area Office.



SAVE THE DATE

TN Association of Affordable Housing will be sponsoring STAR Training conducted by Steve Rosenblatt, Spectrum on November 28-29, 2006. The training will be held at the The Embassy Suites Hotel in Franklin, TN. Registration information on the training will be sent out by TN Association of Affordable Housing by mid-October. For more information, please contact Mickey Myers, Landura Management, at hmm@landura.com.



2007 Management Fees Increased

Be advised that the management fee for management agents operating multi-family housing properties in Tennessee has increased from \$38.00 to \$39.29. This figure is based on the 3.4% OCAF factor. You should prepare your budgets for 2007 using the increased amount.

If you have questions please contact the appropriate servicing office.

Methamphetamine Laboratories Detection and Cleanup

Nationwide, meth lab seizures have finally begun to decline from 15,944 in 2004 to 12,185 in 2005. In spite of this decline, we still need to be aware of the potential for encountering meth labs in rural housing. Meth laboratories have been seized in homes in residential areas, vehicles, hotels/motels, apartments, kitchens, bathrooms, garages, and various other outbuildings. The most productive laboratories are commonly located in rural areas, such as farms and rural residences. In addition, rural areas are often targeted for laboratory manufacturing to avoid detection by law enforcement.

The fact that these labs will most likely be found in rural America, increases the likelihood that Rural Housing Providers might encounter an illegal meth lab during the course of performing your job. Therefore, it is critical that you be able to recognize the signs that a property has been used, or is still being used, for the illegal production of meth. The timely identification of property as an illegal meth lab should reduce the chances of coming in contact with potentially dangerous individuals and the hazardous materials associated with the illegal production of meth. Knowledge that a property was once an illegal meth lab can also be critical information when calculating property market value and net recovery value. It is important to remember that the cost to clean up a meth lab usually averages between \$4,000 and \$5,000 but can be as high as \$150,000.

The follow list outlines some common indicators that a property may have been used as an illegal meth lab:

- ◆ Access denied to landlords, neighbors, and other visitors.
- ◆ Renters who pay their landlords in cash. (Most drug dealers trade exclusively in cash.)
- ◆ Covering or blacking-out windows.
- ◆ Burn pits, stained soil, or dead vegetation.
- ◆ Apartments or buildings that smell like chemicals, including sweet, bitter, ammonia, or solvent smells.
- ◆ Waste in trash pits or piles, with high amounts of:
 - Packaging from over-the-counter cold pills;
 - Empty containers from antifreeze, white gas, ether, starting fluids, freon, lye or drain openers, paint thinner, acetone, or alcohol;
 - Compressed gas cylinders or camp stove (e.g., Coleman) fuel containers;
 - Packaging from Epson salts or rock salt;
 - Anhydrous ammonia tanks propane tanks, or

coolers containing anhydrous ammonia;

- Pyrex/glass/Corning container or other kitchen glassware with hoses or duct tape;
- Coolers, Thermos bottles, or other cold storage containers;
- Respiratory masks and filters, dust masks, rubber gloves, funnels, hosing and clamps; and
- Coffee filters, pillowcases or bed sheets stained red (used to filter red phosphorous).

If you believe you have discovered an illegal meth lab or the site of an abandoned lab, **immediately notify local law enforcement** and do not enter the site. Remember, safety first. Anyone who inadvertently enters a lab should immediately leave the area without disturbing the cooking process, chemicals, or equipment. Illegal meth lab sites are potentially dangerous and they are crime scenes.

Notify Rural Development and they will contract for the services of a qualified hazardous materials professional. Cleanup requirements will depend on the types of chemicals found, the manufacturing process used, how long the lab was active and will be based on applicable Federal, State and locally established protocols.

If you have any questions concerning this information please, contact the State Office at 615-783-1375.



Electronic Submission Of 2007 Proposed Budgets

All borrowers who have a Section 515 Rural Rental Housing loan or a Section 514 Off-Farm Labor Housing loan must comply with financial reporting requirements.

To ensure that the project is in sound financial condition and is complying with the program financial management requirements, the Agency requires annual financial reports to be submitted by each borrower. The annual financial reports consist of Forms RD 3560-7, and 3560-10. The borrower must submit Form RD 3560-7 with actual expenditures and Form RD 3560-10, within 90 days of the end of the project's fiscal year. For projects with eight units or more, borrowers will be required to submit Form RD 3560-10 electronically through MINC. Beginning with the **Fiscal Year 2007**, Form RD 3560-7 with proposed budget expenditures must also be submitted electronically through MINC.

ARE YOU READY FOR A SUPERVISORY VISIT???



If you would like to be better prepared,
check out our website at:

[http://www.rurdev.usda.gov/tn/
multifamilyhousing.htm](http://www.rurdev.usda.gov/tn/multifamilyhousing.htm)

Click on: *Click here to get ready.* You
can then download the Microsoft

Power Point
Presentation. This
presentation is great
for training new
employees or as a
tool to help better
prepare for
upcoming
inspections.



You can now
reach us by dialing
1-800-342-3149

This will enable you to contact our
offices without incurring long distance
charges. When you call this number,
you will be asked to enter a four digit
number on the telephone key-pad which
will connect you to the appropriate area
office. The four digit numbers are for
the TN Area Offices:

Greeneville - 1490

Lawrenceburg - 1494

Knoxville - 1491

Jackson - 1495

Chattanooga - 1492

Covington - 1496

Cookeville - 1493

Union City - 1497

Nashville - 1359

United States Department of Agriculture
Rural Development
3322 West End Avenue, Ste 300
Nashville, TN 37203

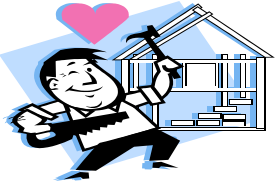
Phone: 615-783-1375

Toll Free: 1-800-342-3149

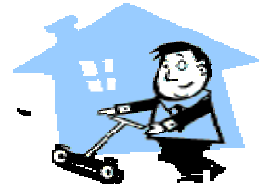
Fax: 615-783-1398

We are on the Web:

www.rurdev.usda.gov/tn/



TOOLTIME TIPS



With winter coming, it is time to consider a little preventive home maintenance. For the most part, winter brings on a whole new dimension in home maintenance. Even in places that are likely to have mild winters, there is still a need to prepare for the change in weather. Here is a list of things to consider:

1. Let's start with the exterior of the house:
 - Drain the garden hoses
 - Check for unprotected pipes
 - Close vents to crawl spaces (especially near plumbing)
 - Get the gutters cleaned and inspect them to assure they are securely attached and working properly
 - Trim trees and remove the dead branches
 - Check chimneys for loose, deteriorated, or missing mortar



- Examine caulking for deterioration around doors, windows, joints between wood and masonry
- Replace worn weather-stripping around exterior doors

2. With the onset of winter, you will start hearing a lot more about fire prevention. This is because with the colder weather, heat systems and auxiliary heating devices are used in the home, adding to the risk of fire.

- Check smoke detectors and change batteries
- Check C.O. detector. If you do not have one—it is a small investment for your safety
- Plan an escape plan in case of fire
- Check that flammable items are stored properly
- Check fire extinguisher

3. Have your heating system inspected. With regular servicing of your heating system, you benefit by burning less fuel and a system that gets regular service is less likely to break down.

4. You can save costly repair by just changing your furnace filter on a regular basis. Remember, even in the summer you need to change your filter if you have central air conditioning. The blower on your furnace is the same one that circulated the cold air.

5. Window air conditioning units should be covered.

The cost of annual home maintenance is a small price to pay for the safety and comfort of you and your family. Keep your home safe and comfortable.

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To file a complaint of discrimination write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). "USDA is an equal opportunity provider, employer, and lender."